

The following brief information is provided to present the perspective on the recommendations contained in the *Executive Budget*. Further information is available in the *Executive Budget Detail* pages for each agency, which can be found at <http://dfm.idaho.gov/>, or you may contact the appropriate DFM analyst as identified in the staff assignment list preceding the Table of Contents.

Themes

- Preserving the economic engine and investing in the future through continued commitment to education, workforce development, and economic investment.
- Providing proper safety-net care for the elderly and disadvantaged.
- Preserving Idaho's quality of life through proper maintenance and modernization of public buildings and open spaces.
- Ensuring that Idaho's business environment remains strong for attracting and retaining business operations.
- Addressing the disparity of state employee compensation relative to market-based salary levels beginning in FY 2006.
- Allocating the unanticipated surplus generated from FY 2005 by returning approximately a third to Idaho residents, a third through investments in infrastructure improvements, and a third through rebuilding the savings reserve to its proper level.
- Providing property tax relief to the most vulnerable of Idaho citizens through increased funding and eligibility for the state's circuit breaker and related programs.
- Ensuring that budget growth meets the citizens' expectations of programs and services within fiscal means.
- Implementing strategies that will ease future growth in the cost of health care programs including Medicaid.
- Providing multi-year budget and revenue strategies.
- Providing a framework for addressing future state responsibilities resulting from judicial guidance and related impacts through contingency plans for unexpected year-end surpluses.

FY 2006 Budget Highlights

- The FY 2005 General Fund budget ended with a \$214.4 million positive balance. This was \$113.7 million above the Legislature's projection.
- Because the FY 2005 General Fund ending balance exceeded \$124.0 million, it triggered a \$14.2 million FY 2006 contingency appropriation to provide a one-time 1.0% salary increase for state employees.
- The FY 2006 General Fund revenue estimate is \$2,229.1 million. This is \$147.3 million above the projection used at the end of the 2005 session.
- The Governor is recommending \$9.4 million in deficiency warrant fund transfers, \$25.9 million in General Fund supplementals, and a \$63.2 million transfer to the Economic Recovery Reserve Fund to provide one-time energy assistance payments to Idaho citizens.

Introduction

- The largest General Fund supplemental, \$6.8 million, provides a 3.0% ongoing employee compensation package with an effective date of January 29, 2006. It would be reflected on 10 paychecks in FY 2006 beginning February 24th and continue through FY 2007.
- FY 2006 should end with a General Fund unspent balance of \$116.0 million.

FY 2007 Budget Highlights

- The FY 2007 General Fund revenue estimate is \$2,307.6 million. It is only 3.5% over the FY 2006 estimate partly because FY 2006 includes \$17.8 million in one-time sales tax receipts from the temporary 6% sales tax that expired June 30, 2005.
- The Governor is recommending \$2,309.6 million in General Fund expenditures for FY 2007. This represents a 5.9% increase over the FY 2006 original General Fund appropriation.
- The FY 2007 General Fund budget is essentially structurally balanced. Ongoing expenditures exceed ongoing revenue by just over \$2.4 million.
- The Governor recommends that the \$116.0 million in one-time General Fund carryover funds and the \$21.3 million in repayment from Water Resource's Revolving Development Fund be utilized for one-time purposes.
- Specifically, the Governor recommends that \$67.7 million of this one-time money be transferred to the Permanent Building Fund for projects and the Experience Idaho Initiative; and \$67.0 million be transferred to the Budget Stabilization Fund for future state needs. (See the Capital Budget for further information.)
- The FY 2007 budget provides funds to annualize the 3.0% employee compensation package recommended for implementation in FY 2006.
- The Governor recommends a \$27.0 million compensation package for Public School districts with an increase in the minimum teacher salary of \$30,000 per year.
- The budget provides a 1.9% inflationary adjustment for Operating Expenditures.
- \$14.7 million in one-time replacement Capital Outlay is recommended, but is funded from the Economic Recovery Reserve Fund.
- The Economic Recovery Reserve Fund is also used to fund \$9.5 million in one-time line item and \$1.8 million in one-time annualization and nondiscretionary costs.